

DOCKET FILE COPY ORIGINAL

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEB 09 1995

FCC MAIL ROOM

In the Matter of)

Disclosures By Operator)
Service Providers of Serving)
Public Phones.)

CC Docket No.

DOCKET FILE COPY ORIGINAL

PETITION OF THE NATIONAL ASSOCIATION OF ATTORNEYS GENERAL
TELECOMMUNICATIONS SUBCOMMITTEE FOR RULES TO
REQUIRE ADDITIONAL DISCLOSURES BY OPERATOR
SERVICE PROVIDERS OF PUBLIC PHONES.

The Telecommunications Subcommittee of the Consumer Protection Committee of the National Association of Attorneys General and the Attorneys General of the States of Arizona, Arkansas, California, Connecticut, Florida, Hawaii, Illinois, Indiana, Iowa, Kansas, Louisiana, Massachusetts, Maryland, Michigan, Minnesota, Mississippi, New Hampshire, North Carolina, Pennsylvania, Tennessee, Vermont, West Virginia and Wisconsin (hereinafter "the Attorneys General"), pursuant to 47 CFR § 1.401, petition the Federal Communications Commission ("Commission") to amend 47 CFR § 64.703(a) to require that operator service providers ("OSPs") provide additional information to consumers who use payphones or other public phones. The Attorneys General believe that this proposal is necessary to prevent unfair and deceptive practices and to improve the opportunity for consumers to make informed choices in accordance with the Telephone Operator Consumer Services Improvement Act of 1990 (47 U.S.C. § 226) ("TOCSIA").

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**UNFAIR AND DECEPTIVE PRACTICES REGARDING
OSP SERVICE.**

Consumer complaints filed with Attorneys General reveal that persons who use public phones frequently incur unexpected, exorbitant charges or experience billing problems.¹ In these complaints consumers report that long distance calls made from public phones have resulted in charges of more than ten times the charge that a dominant carrier would have billed for the call.² These complaints are similar to complaints filed with the Commission as noted in the pending rule making proceeding regarding billed party preference.³

The failure of some OSPs to inform clearly prospective customers that charges will be many times greater than charges by dominant carriers for comparable calls is unfair and deceptive. Many callers, particularly those using their local or long distance carrier's calling card, believe that they automatically will be connected to their carrier when they make the calls on public phones. This misunderstanding is furthered when the name of an OSP is stated quickly or hidden in a sentence supplying other information or resembles the name of a well-known carrier or company. Other callers may understand that they are using another carrier, but expect that the cost of the call would be reasonable as was the case when payphone rates were regulated. These

¹"Public phones" refer to payphones and other aggregator phones, such as hotel phones.

²Attached herewith are examples of consumer complaints regarding problems experienced by public phone users and media accounts reporting similar experiences (Attachment 1).

³*In the Matter of Billed Party Preference for O+InterLATA Calls*, 9 FCC Rcd 3320, 3321 (1994).

consumers are unaware that the cost of time sensitive charges plus connection fees could be many times their regular carrier's charges.

Congress sought to address the problem of exorbitant charges and other unfair OSP practices by enacting TOCSIA, 47 U.S.C. §226. Under this act, the Commission was required to promulgate rules to protect consumers from unfair and deceptive practices and to enable consumers to make informed choices in placing such calls.⁴ 47 U.S.C. §226(d)(1).

In response, the Commission prescribed rules which require that each OSP provide an audible identification prior to completion of a call and before a charge is incurred and required unblocking of payphones so that callers could "dial around" the prescribed carrier. 47 C.F.R. §§ 64.703 and 64.704. In addition, price information must be made available to a consumer, but only upon request. 47 C.F.R. §64.703(a). However, consumer complaints and investigations conducted by Attorneys General indicate that many OSPs may not be in compliance with Commission rules mandating disclosures on payphones and prohibiting blocking of dial around access. Furthermore, consumers' ability to obtain price information in a timely manner is also suspect.⁵

⁴The problem with excessive charges is not limited to interstate public phone charges, but occurs for intrastate calls as well. Many state regulatory agencies limit OSP charges for local and intrastate toll calls. Some state agencies have even prohibited OSP services to address these problems. The Michigan Attorney General has taken action against excessive intrastate charges based on that state's consumer protection law (Attachment 2).

⁵The Michigan Attorney General's office conducted an informal survey of public pay phones in early 1994 to investigate compliance
(continued...)

The current regulatory provisions may have provided important information to sophisticated OSP users, but continuing complaints about unexpected, exorbitant charges demonstrate that the rules do not provide sufficient information or protection to many consumers. Additional measures are needed to carry out Congressional intent that public phone users have meaningful information to make informed choices.

**ADDITIONAL DISCLOSURES SHOULD BE MADE SO THAT CONSUMERS
HAVE INFORMATION TO MAKE INFORMED CHOICES.**

The Attorneys General are convinced that many consumers need immediate redress from the oppressive pricing practices of some OSPs. The benefits of deregulation should not only accrue to sophisticated users, but should be readily available to all users of payphone and other OSP services. The Attorneys General strongly urge the Commission to adopt a requirement that OSPs whose rates and connection fees and other charges are not at or below dominant carrier rates provide to consumers, through a voice-over following carrier identification, a statement such as the following:

This may not be your regular telephone company and you may be charged more than your regular telephone company would charge for this call. To find out how to contact your regular telephone company call 1-800-555-1212.

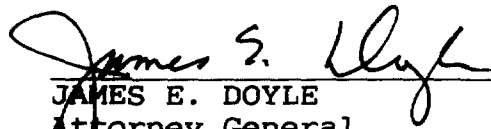
⁵(...continued)
with labeling, branding, rate information and unblocking requirements. Results of the survey showed that substantial percentages of pay phones: (1) were not properly labeled with the presubscribed OSP's identity; (2) were served by OSPs who furnished audible branding that did not match the company identified on labels or stickers on the telephone; (3) were served by OSPs who were not able to provide directions for contacting the carrier of the caller's choice beyond telling the caller to look on the back of a calling card; and (4) were served by OSPs who were not able to provide a rate quote in less than 3 minutes. (Attachment 2).

The Attorneys General believe that such an audible disclosure would foster price competition for users of public phone services. Consumers would be put on notice that the cost of a call may be significantly greater than otherwise anticipated. These additional disclosures should provide consumers with a fairer opportunity to make an informed purchase of OSP services.

The Attorneys General are aware that the Commission is considering a technological proposal which, if adopted, may resolve this problem. *In the Matter of Billed Party Preference for 0+InterLATA Calls*, 9 FCC Rcd 3320 (1994), CC Docket 92-77. However, the Commission's notice indicated that it may take two and one-half years after adoption before billed party preference ("BPP") would be available. The Attorneys General believe that the proposed disclosures could be adopted as an interim measure while BPP or other approaches are being evaluated. In the event that BPP is not adopted by the Commission, this recommendation would provide needed protection for consumers.

Respectfully submitted,

/s/ ERNEST D. PREATE, JR.
ERNEST D. PREATE, JR.
Attorney General
Commonwealth of Pennsylvania


JAMES E. DOYLE
Attorney General
State of Wisconsin

Co-Chairpersons
Telecommunications Subcommittee
Consumer Protection Committee
National Association of Attorneys General

The following Attorneys General join in this petition:

GRANT WOODS
Attorney General
State of Arizona

DANIEL E. LUNGREN
Attorney General
State of California

ROBERT A. BUTTERWORTH
Attorney General
State of Florida

JAMES E. RYAN
Attorney General
State of Illinois

THOMAS J. MILLER
Attorney General
State of Iowa

RICHARD P. IEYOUB
Attorney General
State of Louisiana

J. JOSEPH CURRAN, JR.
Attorney General
State of Maryland

HUBERT H. HUMPHREY, III
Attorney General
State of Minnesota

JEFFREY R. HOWARD
Attorney General
State of New Hampshire

CHARLES W. BURSON
Attorney General
State of Tennessee

DARRELL V. MCGRAW, JR.
Attorney General
State of West Virginia

WINSTON BRYANT
Attorney General
State of Arkansas

RICHARD BLUMENTHAL
Attorney General
State of Connecticut

PHILIP DOI
Executive Director of the
Office of Consumer Protection
State of Hawaii

PAMELA CARTER
Attorney General
State of Indiana

CARLA J. STOVALL
Attorney General
State of Kansas

SCOTT HARSHBARGER
Attorney General
State of Massachusetts

FRANK J. KELLEY
Attorney General
State of Michigan

MIKE MOORE
Attorney General
State of Mississippi

MICHAEL F. EASLEY
Attorney General
State of North Carolina

JEFFREY L. AMESTOY
Attorney General
State of Vermont

Dated: February 8, 1995

ATTACHMENT 1

**Raymond J. Serra
76 East High Street
East Hampton, CT 06424
203-267-1040**

July 28, 1994

**John G. Smale
Chairman of the Board
General Motors
3044 W. Grand Blvd.
Detroit, MI 48202-3091**

Dear Mr. Smale

Today I received a bill from your phone company (Operator Assistance Network) . In it, you charged me \$12.18 for a single minute call. The prime time rate for a direct dialed call is usually 18 cents. The operator at my phone company (SNET) immediately recognized your company (Operator Assistance Network) as having a reputation for similar practices. She informed me that current regulations are such that there was nothing she could do. Evidently some companies allow SNET to adjust charges on a case by case basis but your company left instructions with SNET that they may not adjust the charges on their behalf no matter how outrageous. After sounding off to my SNET representative as to how SNET is profiting from this scam and that I feel they have a responsibility to do something about unconscionable charges, the supervisor agreed to call your representative with me on a conference call.

After I explained to your customer service representative I would be in the grave before I paid this bill, she very quickly adjusted it down by \$11.25 with no explanation as to why I was charged that amount in the first place. I told her that I wondered how she slept at night when she derived income from a company that engaged in supporting a practice that, to me, amounts to theft. How many people that cannot fight for themselves are victims of this ?

Mr. Smale, the money you receive as compensation for your services includes revenues derived from these small overcharges. Every time you hold your money in your hand stop and look at it and try and think how long it takes for someone on your factory floor to earn \$11.25 in discretionary cash. In one quick minute your phone company can "steal it legally" from your worker, people on fixed incomes and others who cannot make ends meet. Could that \$11.25 have been the money that your employee would have used to take his kids to the movie or for ice cream ? Or more seriously, could it have been the cost of a prescription for one week?

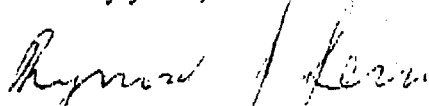
Mr. Smale
July 28, 1994

To cover \$1,000,000 of your salary all that is needed is about 250 one minute phone calls each day at \$11.25. What portion of your income is marginally derived from this situation?

By receiving a credit on our bill, my wife and I do not want to be responsible for you to recover that loss by increasing the cost to other families. To that end we have enclosed a check payable to you for \$11.25.

In closing, I believe that it is always best for companies to regulate themselves. I hope either phone company's figure out a way to give notice to customers when charging higher than normal charges or that congress will pass aggressive legislation to control your pricing.

Sincerely yours,



Raymond J. Serra

CC: John F. Smith, Pres. & CEO General Motors
Ms. Martina, OAN customer service representative
Lester M. Alberthal, Jr., Chairman EDS
Christopher J. Dodd, U.S. Senator
Joseph I. Lieberman, U.S. Senator
Barbara B. Kennelly, U.S. Congresswoman
F.C.C. Chief of formal complaints
Richard Blumenthal, State Attorney General
Daniel J. Miglio, Chairman of the Board of SNET
Editor: New York Times

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Officer in Charge
F.C.C. Common Carrier Division
Washington, D. C.

September 16, 1994

As a 12 year retired Electrical Design Engineer from an electrical utility company, with registration in the state of Texas, I always thought that all communications corporations operating interstate fell under the rules and guidelines as prescribed by the state and federal government. To my chilling dismay I found that the corporation Oncor with corporate headquarters in Dallas, Texas with address of 9999 W. Technology Blvd., Dallas, Texas , 75220, Tel: No. 214 350 5060, is operating public phone booths with the emblem of U.S. West on them in Grand Marais, Minnesota, charging interstate phone call rates at 7 to 8 times the rates charged by AT&T or MCI. This is verified by the attached sheets and documents. When I think of the dozens of people in line each day to use the 5 telephone booths labeled U.S. West at the Grand Marais Municipal RV Campground, it gives me the chills to wonder how high their telephone bills will be upon returning to home port. For many years in the past I have used these phones with no problems. Apparently Oncor has purchased these phone booths and many others in the state and country.

In my estimation and in the interest of common decency Oncor should by law be put out of business for operating an interstate telephone business with high rates unknown to the public. If they cannot be put out of business, they should be forced to give their rates for the first minute and each succeeding minute before the caller gives his AT&T or other card number for the charge of the call. Also, they should be forced to post on the telephone booth their approximate phone rates. I pray that your office will seriously look into this matter of Oncor's outrageous charges for handling interstate phone calls. A reply to this letter will be greatly appreciated and in order.

Thank you.

*Copy
Atty General State of Minnesota*

~~XXXXXXXXXXXXXXXXXXXX~~
~~XXXXXXXXXXXXXXXXXXXX~~
~~XXXXXXXXXXXXXXXXXXXX~~

September 13, 1994

Hubert H. Humphrey III Attorney General
St. Paul Capital Building
St. Paul, MN 55101

Dear Mr. Humphrey,

I am writing to you concerning the excessive charges for a long distance phone call I made on July 20th.

I utilized my telecard when making the call from the Northern State University lobby pay phone at Aberdeen, South Dakota. Please refer to enclosures. The bill came \$16.48 plus .49¢ tax. Each minute cost \$2.12. When I contacted the Bellingham Farmers Mutual Telephone Company, I was told that Oncor is an alternative operator charging usual long distance rates but adding \$7.00 to \$10.00 per call or more for an operator fee. This practice involves soliciting lobbies of motels, hospital and colleges where a high volume of calls are made. You are not made aware of the excessive charges until you receive a phone bill. I object to this practice and note that the areas that they do business is where people are most vulnerable; hospitals with ill family member and friends, college youth, and motel areas where people are a distance from home.

We have been credited for \$16.97 on our phone bill due to our complaint of excessive charges. However, I wonder how many people feel there is no point in expressing their objections or who do not review their long distance charges thereby supporting the practice of alternative operators with excessive charging. My husband and I are both employed and I resent charges such as these made.

I realize you are Attorney General for Minnesota, however there must be a federal cap or limit on charges for tele communications.

I have enclosed comparable credit card calls for comparison. I would appreciate your addressing this matter so consumers are not unfairly taken advantage of.

Thank you for your time.

Sincerely,



enc. phone bill charges

4 1994

January 10, 1994

Federal Communication Commission
1919 "M" Street - Northwest
Washington, DC 20554
Ph: 202-632-6390

Reference: ON-COR Communication - Long Distance Carrier

Dear Commissioner:

I have been a victim of fraud. This was brought on by ON-COR Communications ability to charge unlimited amounts for a service that other long distance carriers charge one-tenth of ON-CORs price.

I have enclosed a copy of my most recent GTE phone bill which includes absurd charges from ON-COR. Please compare ON-COR charges with the other carriers listed, using Faribault, MN as the called from city; Wausau, WI called to city; evening rate to the same phone numbers (715) 842-3557 and (715) 675-6567. ON-COR has charged approximately ten times more per call. Unfortunately, I have already paid ON-COR's bill even though I did contest it.

I contacted ON-COR's Customer Service Department on December 15, 1993 because I believed there was an error in billing. I talked with "Trista" and she informed me that the charges were correct. If this carrier can charge unlimited amounts, a warning or notice should be placed on each phone that would inform consumers of this devious pricing scam. A public service notice should be mailed out to every household warning the consumer about this company and any others that operate similar to that of ON-COR.

My son is attending school in Faribault, MN. I suggested to him that it would be cheaper to use a pay phone at the Country Kitchen rather than use a phone in a hotel where he was visiting a relative. Three of the calls from ON-COR were from that phone. The other call from Culver, IN was from a restaurant pay phone to my home phone number. No warnings were on either of these phones. On my next trip to Faribault, MN I will be stopping at the Country Kitchen and post a CAUTION warning to users of this phone.

I have contacted Wisconsin's Attorney General, James Doyle; the Public Service Commission; GTE; ON-COR and now the FCC.

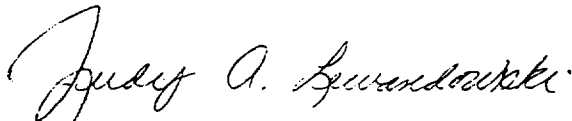
Federal Communication Commission

January 10, 1994

Page 2 -

Portions of this letter will be submitted to our local newspaper. I feel that I must warn as many consumers of the deception ON-COR continues to lead. I am certain that Mr. Ron Hahn, owner of ON-COR, is laughing all the way to the bank.

Sincerely,

A handwritten signature in cursive script, reading "Judy A. Lewandowski". The signature is written in dark ink and is positioned above the printed name.

Judy A. Lewandowski

cc: Wisconsin Attorney General, James Doyle
Public Service Commission, R.S. Cullen
ON-COR Communication, Ron Hahn

MAR 18

March 15, 1994

Office of Consumer Protection
Department of Justice
P. O. Box 7856
Madison, Wisconsin 53707-7856

To Whom It May Concern:

I am enclosing a copy of my letter to Zero Plus Dialing, Inc. plus a copy of my telephone bill and what it cost me to call from Wisconsin (just over the line) to my home in Oak Lawn, Illinois. This is approximately 100 miles and just for 2 minutes. Also note that I called home from Los Angeles, Ca. for 10 minutes and close to 2,000 miles and the cost was only \$2.70.

Since the break-up of "Ma Bell", all of these vulture companies have swooped down and get away with charging outrageous money for the use of their phone. It is too bad that there is no regulation of charges from these "vultures".

Thank you for your time but there must be something that can be done. I believe in free enterprise but not at this cost.

Very truly yours,



Patrick J. Sullivan
4524 West 99th Place
Oak Lawn, Illinois 60453

P.S.: I have also contacted Senator Paul Simon
and Senator Carol Moseley-Braun

Representative William O. Lipinski, 3rd District

And as soon as I find out the name and address of Wisconsin Representative and Senators, they too will get a letter.

DETAILED CHARGES

Section 3 Page 1

Billing Questions, Call 1 800-460-0756

708 422-9188 387 0

FEB 13, 1994

IMPORTANT INFORMATION

This portion of your bill is provided as a service to the company identified above. There is no connection between Ameritech and this company.

CURRENT CHARGES**Long Distance**

No.	Date	Time	Place Called	Number	Code	Min	
			CALLING CARD	422 9188			
			PHONETEL TECHNOLOGIES, INC.				
1	1-22	256P	OAK LAWN IL	708 422 9188	ON	2.0	
			FROM TREVOR WI	414 862 9954			6.70
Total Long Distance							6.70

Taxes

No.	Description	
2	Fed Tax20
3	IL Tax34
TOTAL ZERO PLUS DIALING, INC. CURRENT CHARGES		7.24

John M.T.

January 21, 1993

Zero Plus Dialing Inc.

9311 San Pedro, Suite 300
San Antonio, TX 78216

PROTECTION
OF JUSTICE

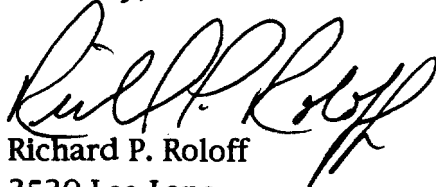
93 JAN 26 AM 11

Subject: Disputed \$9.54 on Account Number 414-886-1003

I want to strongly complain about the system that your company uses to overcharge unsuspecting customers. I placed 3 different calls from our room at the Golden Nugget in Las Vegas to our home in Racine, Wisconsin late Friday and Saturday, October 30th and 31st, 1992. Total time on these calls was 4 minutes. These were all direct dial calls made using a Sprint calling card. Lo and behold on a bill that I received, from our local telephone company, in late December a charge of \$9.54 from your company was included. I have 3 different telephone lines and use long distance a lot. These charges are extremely high (when compared to other legitimate companies) and I have trouble understanding how they happen when I used my credit card and dialed direct. When I tried to contact you I found it impossible to get through. I then complained to my local telephone company and had them stop this charge. Today I received a poorly written form letter that references a charge of \$9.27 when the actual charge is \$9.54 and tells me that you cannot issue credit because "Calling card call(s) to home or business to which card was issued." What does that mean? This letter then further tells me to contact you with questions and/or comments. Again I tried and tried and tried and all I got was a busy signal.

You appear to be a very poorly run company who lives by charging extremely high charges to people without them being made aware of it. We are further very disappointed in the Golden Nugget that they would be a part of something like this. This is a "..... Mouse" way to get a few extra dollars after we spent several hundred dollars at the Golden Nugget.

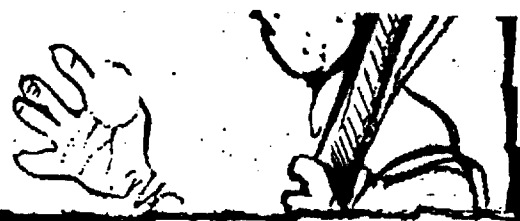
Sincerely,



Richard P. Roloff
3530 Leo Lane
Racine, WI 53406

CC: Golden Nugget Manager

State of Wisconsin Attorney General, Madison, WI
State of Texas Attorney General, Austin, TX



\$26-Phone Bill Was A Surprise

MONTPELIER — This is a consumer alert. Watch out for a company called Oncor Communications Inc. It charges exorbitant rates for phone calls and is less than straightforward about adjusting bills for those who complain.

I recently spent the weekend in Massachusetts and made a call home on Sunday afternoon. It was a telephone credit card call. I dialed 0, my number and then my card number when I heard the tone. I talked for about 20 minutes.

When my bill arrived, I found a charge for \$26.46 for a 21 minute call. It was on a separate page, with Oncor Communications Inc. identified as the vendor. There was a number to call for questions about Oncor's bill.

I'll give the company credit for one thing: Their employees remain admirably patient and polite when confronted by outraged, dare I say abusive, customers.

The long and short of what I told the service representative was that I was not paying \$26 for a 20-minute phone call. She explained that there was an 800 number posted on the telephone I had used, and that I could have called to inquire about the rates before I made my call. Checking the rates, she informed me, was my responsibility. She assured me that I had been charged what it cost the company to place the call, which worked out to more than \$1 a minute.

I scoffed at the idea that the company was charging what the call cost. I offered to pay \$6 for the call, which, judging for other calls on my bill, is what AT&T would have charged. The Oncor operator brushed aside my offer.

After a little more ranting on my part, the Oncor rep said she was prepared to make me an offer because I was unaware of the company's rates. She would give me 35 minutes of free long-distance calling from the phone of my choice. She would send me a temporary Oncor calling card to use when I placed my calls. After I had used up the 35 minutes, I could simply throw away the card.

Vermont
Commentary

Jack
Hoffman



It didn't seem like much of a deal to me, so I turned it down.

The Oncor rep was evidently reading from a script, because she got me to formally reject the offer for 35 free minutes. Once that was confirmed, she moved to Offer Number Two.

She was prepared, she said, to split the bill with me. Oncor would issue me a credit, and I would pay \$13-something. Again I said, "no," and again the Oncor operator asked for a formal refusal.

At that point, the operator put me on hold and eventually came back with Offer Number Three. She was prepared, she said, to issue me a credit in the amount of \$20.41 and charge me the same rates as my "dominant carrier."

In other words, she was going to charge me the same rate as AT&T, which is what I had offered to pay in the first place.

But what if I had taken the 35 free minutes? Or what if I had figured that splitting the bill was going to be better than paying the whole thing and agreed to the second offer? I never would have known that backing down for this company is a three-step process.

The Oncor rep kept repeating that the company's rates were not regulated, and she was right. This was an interstate call, and these "operator service providers" — OSPs in the jargon of the telecommunications business — can charge whatever unsuspecting callers will pay. They are not regulated by state utility commissions, like Vermont's Public Service Board.

Vermont could regulate the company's rates for in-state calls made from an phone that used Oncor services. But at

this point, state regulators have no evidence that Oncor has provided such intrastate services.

I called Oncor's headquarters in Dallas and spoke to another customer service representative. Her name was Rita. She was not authorized to give out her last name.

According to Rita, the company does not have a set policy for adjusting bills. It depends on each situation. She assured me that the company's rates are correct and Oncor has no obligation to charge the same rates as the dominant carriers. As a courtesy, she said, Oncor will lower the rates if the customer insists.

Then Rita told me something that the first customer service rep had neglected to mention. Since I had demanded a reduction in my bill, there is now a block on my number. If I try to make a call from an Oncor phone again, I will first have to agree to pay the company's rates or my call will not go through.

That is actually a blessing. At least now I will have some warning that I am about to be charged an arm and a leg to make a call.

But that is not what happens with most callers. When you dial 0 and the phone number, you might get Oncor or any of the scores of OSPs operating around the country.

I don't know what the other carriers charge. But if you are unlucky enough to get Oncor, hang up and dial the access code to get your own long-distance company. If you make the mistake that I did and get charged by Oncor, raise hell until they agree to charge you what your own phone company would charge.

Rita said it's a courtesy. But according to people in the telephone business, Oncor doesn't want a lot of angry customers calling the Federal Communications Commission. If there are too many complaints, the FCC might decide it has to do something about this price-gouging.

(Jack Hoffman is chief of the Vermont Press Bureau)

Callers beware: Not all pay phones are created equal

By ANTHONY GIORGIANNI
Courant Staff Writer

It's the holiday season, and if you're traveling there's a good chance you'll be using a pay telephone or a telephone in a hotel room.

But beware. Those who don't think before they dial can end up with a much higher-than-expected charge.

The reason: Not all telephones at airports, on street corners, in hotel rooms and other public places are served by major,

well-known telephone companies such as AT&T, Sprint or MCI.

Little-known "operator service providers," such as Oncor Communications of Bethesda, Md., are the designated carrier for calls made on some public coin and non-coin telephones. That means that if you use one of these telephones, your call will automatically be routed to one of these companies, whose rates can be many times higher than those charged by the bigger, well-known companies. In one case, a company charged a customer nine times the rate

charged by the better-known carriers.

The charges for such calls usually appear on local telephone bills or, for calls charged to a major credit card, on a monthly statement.

"The important thing is, consumers should know what carriers they want to use and . . . how to reach that carrier," said Robert W. Spangler, deputy chief of the Federal Communications Commission enforcement division that oversees telephone service.

Spangler said the agency is becoming

increasingly concerned about consumer complaints involving rates charged by operator service providers.

Stephanie K. Allaire of Bristol is one of those who complained. During the Fourth of July weekend, she accepted a collect call from her daughter, who was using a pay telephone in Massachusetts. Neither realized that the company designated to carry long-distance calls from that phone was Oncor, which describes itself as the nation's largest operator service provider.

When her bill arrived from Southern

New England Telephone, she was surprised. "I couldn't believe my eyes," Allaire said. "I thought it was a misprint."

For the 16-minute call, the charge was \$23.14 — nearly four times the \$5.99 that AT&T would have charged had it handled the call.

In response to a complaint she filed in August, the state Department of Public Utility Control — which has no jurisdiction over the rates charged for interstate calls —

advised Allaire to call Oncor and attempt to negotiate a lower rate. The company agreed to give Allaire a partial refund of \$12.28.

An outgrowth of telephone deregulation, operator service providers essentially buy and resell telephone service. They offer owners of hotels, taverns, airports and other establishments steep commissions to be chosen as the designated carrier for coin and other public telephones. All calls placed on those telephones automatically are routed through the designated carrier unless the caller first dials into the network of another telephone company. That is accomplished by using the company's 5-digit code or toll-free 800-number.

The most common way people end up with a huge bill from an operator service provider is when they use a public telephone to make a collect call or to bill a call to a third party, home number, major credit

card or a telephone card issued by a local telephone company, such as Southern New England Telephone. (Operator service companies typically cannot bill to telephone cards issued by the major long-distance companies, such as AT&T.)

Gordon C. Kimble, a vice president for Oncor, said the commissions it offers hotels and others in exchange for being named the designated carrier is one reason the company's rates are so high. Also, he said, Oncor cannot afford to provide telephone service at or near cost, like the major telephone companies do, because public telephones are its only business.

He said the major companies "can subsidize their pay-phone business with other lines of business."

But the FCC is not convinced.

For the 12 months ending Sept. 30, the agency received 2,038 consumer complaints about the companies, especially Oncor, said Spangler of the FCC.

Although he would not say whether the agency is planning any action, he said "the [FCC] staff is very concerned about the complaint level, and some of the rates that we've seen are very high."

Determining the designated carrier for local and long-distance calls from pay telephones is supposed to be easy. Under federal law, the telephones are required to be clearly marked with the carrier or carriers that have been designated to handle local and long-distance calls.

But many people don't think to check. And even checking is no guarantee the name or names there will be correct.

In a letter to the FCC earlier this year, the New York State Consumer Protection Board estimated that the designated carrier was misidentified on 40,000 of the state's 120,000 pay telephones. That can happen when the carrier changes and the company that controls the telephone — often the local telephone company — does not follow

up by re-marking the telephone.

The FCC has proposed an \$18,000 fine against New England Telephone and Telegraph Co. for failing to maintain accurate labels on pay telephones in its control. The company is the major telephone company in all the New England states except Connecticut.

Another way to identify the company handling a call is to listen for the identification every company is required to make at the beginning of a call.

Utility regulators and the major telephone companies say the best way to avoid unknowingly using an operator service provider is to dial your carrier of choice directly.

One way is to dial the carrier's five-digit code. For example, the code for AT&T is 10-288. MCI's is 10-222.

But sometimes pay telephones are electronically blocked from accepting the code, in violation of federal regulations. And

some hotel and other public, non-coin telephones aren't even required to accept the code.

A better way, the FCC and major companies say, is to use a carrier's toll-free 800-number.

MCI, for example, has an 800-number for its credit card customers, and another, 1-800-COLLECT, for anyone else who wants to use the company's service for collect calls and third-party billing.

AT&T offers 1-800-CALL-ATT for anyone who wants to use its service, including for billing to major credit cards. Sprint's number for collect calls, third-party billing and billing to telephone company issued cards is 800-877-8000.

Those who unknowingly place a call using an operator service provider and who are unhappy with the charges should dispute them with the company, said Louise Rickard, a spokeswoman for the Connecticut Department of Public Utility Control.

ATTACHMENT 2

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February 1, 1995

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Re: Michigan's Actions Against AOS Providers and AOS/Pay
Phone Survey

1. Michigan's Actions Against AOS Providers under Michigan's
Consumer Protection Act Alleging Excessive Rates and
Violations of Michigan's AOS Statute.

In August, 1994, Michigan Attorney General Frank J. Kelley announced actions against 10 AOS providers under the Michigan Consumer Protection Act, MCL 445.901 et seq. and Michigan's AOS statute, MCL 484.103g. The Consumer Protection Act forbids charging prices "grossly in excess of the price at which similar property or services are sold." Michigan's AOS statute substantially duplicates the federal labeling, branding, rate information and unblocking requirements with regard to intrastate calls.

The Attorney General issued Notices of Intended Action, which the Consumer Protection Act requires as a precursor to filing a court action. High-volume AOS providers receiving Notices include Oncor, U.S. Long Distance, CNSI, and Amnex. As an example, I have attached the Notice sent to Oncor.

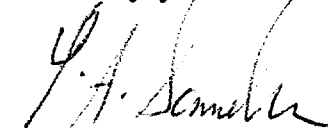
While only 10 AOS providers were named, the Attorney General's office is in contact with many AOS providers doing business in Michigan with regard to these issues.

2. The Attorney General's AOS/Pay Phone Survey

Between February and April, 1994, Attorney General Kelley's Consumer Protection Division conducted an informal survey of public pay phones to determine compliance with Michigan's AOS statute. The survey was conducted without regard to the ownership of the phone -- i.e., it encompassed both LEC telephones and COCOTs. Results of the survey showed that substantial percentages of pay phones: (1) were not properly labeled with the presubscribed AOS provider's identity; (2) were served by AOS providers who furnished audible branding that did not match the company identified on labels or stickers on the telephone; (3) were served by AOS providers who were not able to provide directions for contacting the carrier of the caller's choice beyond telling the caller to look on the back of a calling card; and (4) were served by AOS providers who were not able to provide a rate quote in less than 3 minutes.

If you have any questions, feel free to direct them to me at the number or address below. Thank you for your interest and leadership in these matters.

Sincerely yours,



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